

## MEMORANDUM FOR UNDERSECRETARY TAYLOR

**FROM:** Mark Sobel

**SUBJECT:** Press briefing on G7 and Terrorist Finance

**Objective:** You should use this briefing to provide two key messages to the press about Terrorist Financing issues at the Boca Raton G7 FinMin meeting.

A. At Boca Raton, the G7 Finance Ministers will tighten the noose on the financing of terrorism by (1) agreeing to a timetable of specific actions with measurable deadlines for this year; (2) ensuring that the IFIs make assessment of the FATF 40+8 a permanent part of their work; (3) widening the net to catch “informal sector” abuses such as hawalas and cash smuggling.

B. The US will use its year as Chair to add to the G7’s solid record of accomplishment in leading long-term systemic changes in the global financial system that make it much harder for terrorist financiers to do business.

### Key points:

- The Boca Raton meeting, like all G7 FinMin meetings since September 11, 2001, will advance our fight against terrorist financing.
- US will use its year in the G7 chair to tighten the noose around terrorist financing. The Boca Raton meeting will give us a chance to adopt a specific timetable of actions with our colleagues.
- Make no mistake. That noose is getting tighter. We have captured or killed two-thirds of al Qaida's senior leadership. Key financiers and facilitators have been put out of commission, which has allowed us to disrupt al Qaida's ability to plan and execute attacks as well as constrict their ability to move funds globally. Key examples include: (1) Mohammed Atef; (2) "Swift Sword"; (3) Abu Zubaydah; (4) Ramzi Binalshibh; (5) Khalid Shaikh Mohammed; (6) Sheikh Moyad; (7) Barakat Yarkas; (8) Bashir; (9) Hambali; (10) Hasan Ghul.
- One goal is to ensure that every country can and does freeze terrorist assets - and that they can do it well. We will continue to meet with countries outside of the G7 to collaborate on improving our efforts. I personally have made over 100 calls on terrorist financing issues over the last 2 ½ years, and Secretary Snow and I raise the issue at every available opportunity during our bilateral meetings with world leaders.

- Beginning with the G7 Action Plan in October, 2001, this has been the largest collaborative effort the international financial system has ever seen. It truly has been global.
- All but a handful of countries and jurisdictions have expressed support for the effort. Over 170 countries and jurisdictions have issued freezing orders against terrorist financiers. Over 100 countries have changed their legislation to improve their counter terrorist financing regimes. We have frozen over \$139 million in terrorist assets worldwide, seized over \$60 million, and blocked over 1400 accounts or transfers.
- Many countries have played key roles at various times and in various aspects of the struggle. Just to name a few:
  - Australia led the effort that resulted in 50 countries joining to designate the terrorist group Jemmah Islamiyh at the UN;
  - the UK has used its robust powers of charitable oversight to neutralize terrorist supporter in their local mosques;
  - Germany is developing an “early warning system” to identify suspicious *hawaladar* activity;
  - Saudi Arabia has arrested over 250 al-Qaida operatives, issued tough new regulations on its charities, and jointly designated 6 al-Haramain branches with the US;
  - Switzerland has blocked more assets than any other foreign country in the world; and
  - Luxembourg has followed the US step-for-step, issuing blocking orders simultaneously with us on every list.
- Freezing assets is only our most visible way of disrupting terrorist financing. Just as important is the systemic work we do to make the global financial system a hard place for terrorists to operate.
  - We have had great success in increasing formal sector transparency, accountability and record-keeping. For example standards for customer due diligence have been raised and originator information should now be included on all cross-border wire transfers.
  - This year, we will continue to extend our efforts from the formal sector to informal channels such as hawalas and cash couriers. We will ask each G7 country to assess its own legal and regulatory structures to see if it is doing enough to bring underground money flows to the surface.
- The other nations in the Financial Action Task Force (FATF) are key G7 partners in this effort. FATF is the key international standard setter in the area of terrorist finance. Its 8 Special Recommendations are the benchmark against which country terrorist financing regimes are measured.

- The international financial institutions are also key partners. The IMF and World Bank are working with FATF to assess country compliance with the FATF 40+8 special recommendations. The IFIs have already assessed 33 countries in a successful pilot project. In Boca Raton, we will ask them to make this work a permanent part of their review of country financial sectors.
- These assessments will help guide countries on which improvements they need to make in their legal and regulatory frameworks to improve asset freezing capacity, oversee formal and informal sector money transfers, and combat the abuse of charities, among other things.
- These assessments will also help guide technical assistance for those countries that need help in coming into compliance. The G7 and the IFIs, as well as other interested countries, stand ready to work with those nations that are ready and willing to improve.
- The US has already been active in this regard. The US has helped over 40 countries around the world by evaluating all or part of the anti-money laundering or terrorist financing regime. We have provided over 20 training programs and have placed 12 resident advisors.

**Background:** Important accomplishments of the G7 collaboration include:

- **The G7 Action Plan of October, 2001.** The Plan included immediate actions to stop the flow of terrorist funds as well as structural changes to guard against the use of the international financial system for the financing of terrorism. This Action plan was a spur for other multilateral bodies such as the G-20, the Asia-Pacific Economic Cooperation (APEC), and the Western Hemisphere Finance Ministers (WHFM) to issue parallel plans of their own, with the encouragement of the G7 members in each body.
- **The G7 Joint Designation of April, 2002.** The G7 broke new ground in conducting the first multilateral joint designation of terrorist financiers. G7 Finance Ministries worked closely together to take joint action at the UN and in their own countries to designate nine individuals and one organization, all linked to al Qaida and Usama bin Laden. This effort paved the way for other multilateral designations, including that of 10 individuals and entities associated with Jemmah Islamiyah, which was joined by 50 countries.
- **Collaborative G7 work on charities and hawalas.** The G7 Finance Ministries were instrumental in widening the focus of international efforts to combat terrorist finance by raising the profile of issues associated with the abuse of charities and alternative remittance systems (ARS, frequently know as hawalas). Not only did they highlight the issue in communiqués, the G7 representatives at FATF worked

together to ensure that interpretive guidance on the relevant Special Recommendations (SR VII and VIII) was issued.

- **G7 outreach to non-G7 countries.** Besides their bilateral efforts, the G7 as a group has made special efforts to reach out to non-G7 countries. At the Dubai Ministerial in September, 2003, the G7 hosted a dinner for a number of key non G7 countries to discuss common efforts against terrorist financing, especially in the area of charities and hawala<sup>1</sup>. This coming February, there will be an expert-level follow-up meeting of the same countries in Paris.

**Attachments:**

1. Charts and graphs on terrorist financing efforts
2. US Counterterrorist technical assistance and training program
3. Summary of FATF working group meetings in Tokyo

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<sup>1</sup> The Dubai extended session included representatives of Morocco, Algeria, Egypt, Saudi Arabia, the UAE, Kuwait, Bahrain, Pakistan, Malaysia, Indonesia, the Philippines, India, the EU, FATF, the IMF and the World Bank. China was invited, but was not able to attend.